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STATE OF ARKANSAS

PUBLIC SERVICE COMMISSION

1000 CENTER BUILDING
LITTLE ROCK, ARKANSAS

FIFTY-SECOND ANNUAL REPORT

YEAR ENDING DECEMBER 31, 1986

ARKANSAS
PUBLIC SERVICE COMMISSION
1000 Center
P.O. Box C-400
LITTLE ROCK 72203

Jerrell L. Clark
Director
371-1794

Dr. Robert E. Johnston
Chairman
371-1453
James W. Daniel
Commissioner
371-1455
Patricia S. Qualls
Commissioner
371-1451

February 3, 1987

Honorable Bill Clinton
Governor of the State of Arkansas
State Capitol
Little Rock, Arkansas 72201

Dear Governor Clinton:

In compliance with Section 14 of Act 324 of the Acts of Arkansas for the year 1935, the Utilities Division of the Public Service Commission submits to you the Fifty-Second Annual Report.

Respectfully,

Robert E. Johnston, Chairman

Patricia S. Qualls, Commissioner

Julius D. Kearney, Commissioner

ARKANSAS PUBLIC SERVICE COMMISSION
FIFTY-SECOND ANNUAL REPORT

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ARKANSAS PUBLIC SERVICE COMMISSION
ANNUAL REPORT, 1986

GENERAL INFORMATION

A long and varied history has resulted in the structure of today's Arkansas Public Service Commission. The early structure was amended in 1935 when a Department of Public Utilities was established. In 1945 the Department was renamed the Arkansas Public Service Commission and provided the basic framework by which it currently operates.

The authority to regulate public utilities was delegated to the PSC by the legislature. Decisions by the Arkansas General Assembly in 1967 and 1971 extended the Commission's jurisdiction to include Electric Cooperatives and the safety regulation of natural gas pipelines. Public utilities accept this regulation in exchange for the right to operate.

The Public Service Commission (PSC or Commission) regulates over 90 public utilities which provide electric, gas, telephone, and water services to Arkansas consumers. In regulating the public utilities, the PSC is bound by state statute to authorize utilities to charge reasonable rates and to provide service that is safe and reliable. The law requires the Commission to give the regulated utility companies the opportunity to generate revenues adequate to earn a reasonable return on their investment. In Arkansas those revenues amount to over $3 billion annually.

Past history suggests that the construction of electric and telephone lines by more than one utility company in the same area would be extremely costly and disruptive to community life and property. Therefore, to ensure that consumers are provided with quality service at reasonable rates, the PSC

grants telephone and electric public utilities the sole right to provide their services within specified geographic areas. The exception to this policy is that under some circumstances competition among telephone toll carriers is allowed by the Commission under law. Water and gas companies are not granted sole rights to serve any specific geographic area.

By law, the Commission does not have the authority to regulate the rates and service of municipally owned electric, water, or sewer utilities, even if they serve outside the city limits. However, the Commission does have jurisdiction to regulate the rates charged by municipally owned gas utilities in those areas served by the city outside the city limits. The Commission also oversees the safety of all municipally owned gas utility lines, inside and outside the city limits.

JURISDICTIONAL UTILITY COMPANIES

During 1986, the Commission carried out its statutory obligation to review and regulate the rates and practices of utility companies. There were 93 utility companies under the Commission's jurisdiction consisting of the following:

Privately-Owned Electric Companies	4
Electric Cooperatives	19
Privately-Owned Gas Companies	7
Municipally-Owned Gas Companies (to the extent of customers located outside a municipality's corporate limits)	5
Water Companies	10
Telephone Companies	32
Sewer Companies	4
Competitive Interexchange Carriers and Resellers	12
TOTAL	93

PROCEEDINGS

The Arkansas Public Service Commission regulates public utilities generally within nine different types of proceedings. Each new case that is filed is assigned a number and then becomes a docket.

RATE CASE DOCKETS involve general changes to a utility's rates.

TARIFF DOCKETS deal with minor changes in rates, service, and company rules and regulations.

CERTIFICATE OF CONVENIENCE AND NECESSITY DOCKETS are applications by a utility for permission to construct or make substantial changes to its utility plant. For example, this includes building transmission lines for electric or natural gas companies. CCN dockets also generally define the scope of a utility's license to operate.

CERTIFICATE OF ENVIRONMENTAL COMPATABILITY AND PUBLIC NEED DOCKETS are similar to CCN dockets but authorize construction of a major utility facility which requires an Environmental Impact Statement.

COMPLAINT DOCKETS result when an individual group or another utility files a formal complaint against a utility for the service provided or rates charged.

CAPITAL RECOVERY DOCKETS analyze applications filed by the utility companies requesting a change in depreciation rates charged to utility plant investment.

FINANCING DOCKETS deal with applications by utilities to obtain additional financing from sources such as stocks and bonds.

RULES DOCKETS consider changes to Commission rules, regulations or procedures.

ADMINISTRATIVE DOCKETS usually deal with service area boundary changes and customer releases. On occasion, however, generic changes in PSC policy and interpretation of statutes and court rulings are handled in administrative dockets.

Additionally, the Commission can investigate various aspects of a utility's activities on its own motion.

AGENCY ORGANIZATION

The Arkansas Public Service Commission consists of three Commissioners appointed by the Governor for overlapping six-year terms. There are 172 staff positions divided into three functional divisions: the Utilities Division, the Assessment Coordination Division, and the Tax Division.

The specific utility regulatory activities conducted by the Commission are detailed on Pages 32 through 48 of this report.

The three functional divisions -- Utilities, Tax and Assessment Coordination are assigned various responsibilities in a staff role for the Commission. This report will discuss only the Utilities Division, as the Tax and Assessment Coordination Divisions submit separate Annual Reports.

UTILITIES DIVISION

The Utilities Division receives the most public attention and by far the greatest attention of the Commissioners. The PSC Director is responsible for the overall supervision of this Division. Staff members in the Utilities Division handle a wide variety of responsibilities.

The Utilities Division has 114 authorized regular staff positions (Commissioners and their Immediate Staff included) divided into the following organizational components:

Organizational Component	Number of Positions
Commissioners and Immediate Staff	15
PSC Director	2
Administrative Services	12
Consumer Services	5
Data Processing	5
Electric Utility Industry	9
Legal	14
Natural Gas & Water Utility Industry	8
Quality of Service	11
Research and Policy	7
Telecommunications Utility Industry	9
Utility Performance Review	17
TOTAL	114

The organizational chart on Page 9 depicts the reporting lines for each.

The functions of these organizational components are discussed in the following:

COMMISSIONERS AND IMMEDIATE STAFF The Commissioners function as a quasi-legislative, quasi-judicial body. In that capacity, they render decisions and develop orders for implementing those decisions. The decisions cover such issues as rates, tariffs, territories, construction sitings, bond issues, assessment protests in opposition to Tax Division determinations, and equalization of property tax assessments by local Equalization Boards.

PSC DIRECTOR AND STAFF provides overall direction, rate case, technical evaluation and administrative support for the Utilities Division through the following:

THE OFFICE OF THE SECRETARY OF THE COMMISSION accepts, files, serves, and processes all applications to the Commission and all orders entered by the Commission. This office also maintains docket files on Commission cases. (In a typical rate case of AP&L, Arkla, or Southwestern Bell, several thousand pages of testimony, exhibits, and audits are filed and available for public review in the Secretary's office.)

DATA PROCESSING maintains computer hardware and software for rate cases, administration and research support, and general office automation. They develop new applications, adapt data and systems from other computer facilities and provide training and individual assistance to all PSC employees.

ADMINISTRATIVE SERVICES provides centralized fiscal, personnel, word processing, and related office support for the PSC.

RESEARCH AND POLICY is responsible for the provision of technical and policy assistance to the PSC Director and Commissioners in the form of expert testimony or special project analyses. In addition, this Section is responsible for utility-related matters before the Federal Communications Commission, Federal Energy Regulatory Commission, and Securities and Exchange Commission.

THE ELECTRIC, TELECOMMUNICATIONS, AND NATURAL GAS AND WATER UTILITY INDUSTRY SECTIONS are responsible for analyzing all rates and tariffs submitted by utilities. These Sections determine that rates are reasonable, equitably proportioned among different classes of customers, and that they produce the revenue requirement assigned by the Commission. In addition, these Sections analyze companies' capital structure and credit requirements to determine reasonable rate of return on investment. They also prepare and present testimony to the Commission concerning their analyses and findings.

UTILITY PERFORMANCE REVIEW staff members review of utility companies' operational and financial performances. This review takes place to ensure management effectiveness, operational efficiency, and the provision of quality service at equitable rates. These responsibilities are performed by the following units:

The overall objective of the Operational Audits Staff is to promote and encourage efficient and effective utility management decisions. Such decisions not only help to ensure that customers receive safe and adequate service at the lowest possible cost, but also provide utilities an opportunity to earn a fair return on their investments.

The Fiscal Audits Staff evaluates utility records to ascertain the reasonableness of rate case filings presented to the Arkansas Public Service Commission.

The Statistical Evaluation Staff has the following objectives: (1) establishing appropriate capital recovery schedules for utilities operating in Arkansas; (2) establishing appropriate ranges of service lives for the industries; (3) establishing appropriate depreciation filing requirements; (4) evaluating policy and procedure for fixed assets acquisition, maintenance, and disposal; and (5) providing statistical oversight, support, and direction for the Utility Performance Review Section as a whole.

The Contract Administration Staff performs a dual role: ensuring that utility companies' contracting practices are appropriate and produce cost effective results; and ensuring that fuel costs incurred by utility companies are reasonable and appropriate for inclusion in rates approved by the Arkansas Public Service Commission.

LEGAL staff members serve as the Staff's legal representative in proceedings before the Commission. Legal staff members also represent the Commission in court proceedings resulting from appeals of Commission orders.

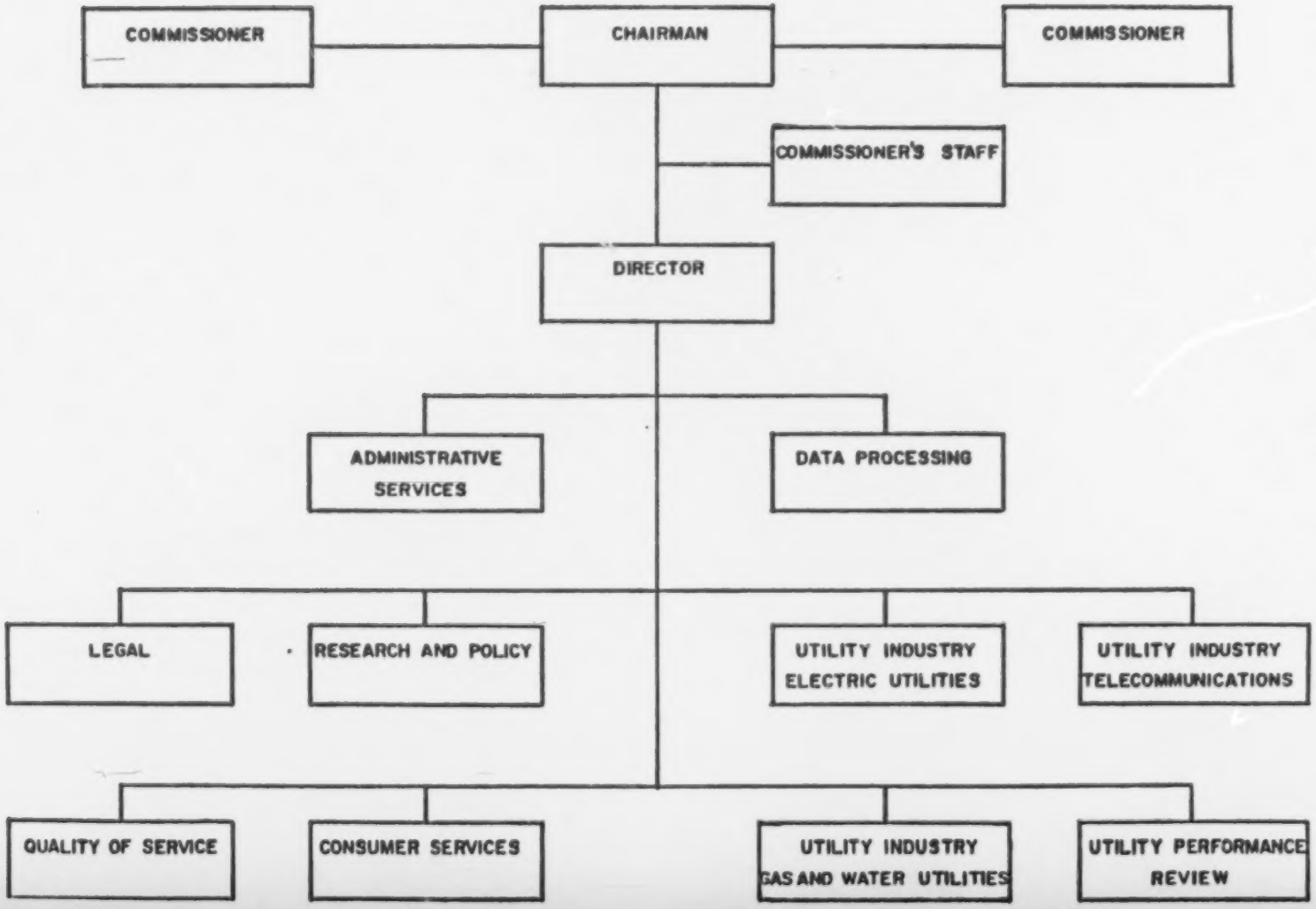
QUALITY OF SERVICE ensures that ratepayers receive the quality of service that is required by Commission rules and regulations. This is accomplished through evaluations of utility facilities and operating procedures. In addition, this Section monitors natural gas utilities to ensure adherence to natural gas pipeline safety codes.

The CONSUMER SERVICES OFFICE of the PSC receives complaints from customers either in person, by telephone or by letter about a utility's service, rates or actions. The Consumer Services Staff reviews complaints and acts as a liaison with utilities in resolving problems. In some instances, a formal investigation by appropriate staff members may be required to resolve a complaint. In addition to complaint resolution, the Consumer Services Office also has information and material regarding utility consumers' rights.

Arkansas Public Service Commission

Utilities Division

Organizational Chart



ORDERS ISSUED BY PSC FROM JANUARY, 1986, THROUGH DECEMBER, 1986

Type of Order	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Electric	14	20	16	13	20	18	26	14	13	9	2	8
Gas	5	3	5	10	12	8	9	13	4	10	10	11
Telephone	65	27	32	22	34	25	27	15	23	30	19	51
Water	2	3	0	1	1	4	2	2	1	5	7	3
Sewer	0	0	0	0	0	0	0	0	0	1	0	0
Other	1	4	5	1	2	2	1	1	1	3	4	12
Totals	87	57	58	47	69	57	65	45	42	58	47	85

Total Orders issued for this period was 717

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ELECTRIC COMPANIES - ARKANSAS ONLY
PLANT INVESTMENT; OPERATING REVENUES
YEAR ENDED DECEMBER 31, 1985

COMPANY	PLANT INVESTMENT	OPERATING REVENUES	RATIO (%) GROSS REV./INVEST.
ARK. ELECTRIC COOP.	$ 636,214,181	$ 190,068,999	29.88%
ARK. POWER & LIGHT CO.	3,513,395,132	1,276,257,341	36.33
ARK. VALLEY ELEC. COOP.	51,077,969	29,246,045	57.26
ASHLEY-CHICOT ELEC. COOP.	6,377,960	3,693,529	57.91
C & L ELEC. COOP.	24,761,409	13,723,012	55.42
CARROLL ELEC. COOP.	61,463,834	29,516,848	48.02
CLAY COUNTY ELEC. COOP.	15,611,786	8,639,739	55.34
CRAIGHEAD ELEC. COOP.	36,977,868	21,748,761	58.82
EMPIRE DIST. ELEC. CO.	7,901,742	7,810,452	98.84
FARMERS ELEC. COOP.	7,785,073	4,922,671	63.23
FIRST ELEC. COOP.	63,219,478	45,564,018	72.07
MISS. COUNTY ELEC. COOP.	5,154,078	2,813,821	54.59
NORTH ARK. ELEC. COOP.	43,156,780	22,141,283	51.30
OKLA. GAS & ELEC. CO.	96,969,913	103,252,896	106.48
OUACHITA ELEC. COOP.	18,596,245	13,363,886	71.86
OZARKS ELEC. COOP.	38,172,804	21,568,287	56.50
PETIT JEAN ELEC. COOP.	25,510,041	10,897,954	42.72
RICELAND ELEC. COOP.	9,336,420	4,036,999	43.24
RICH MTN. ELEC. COOP.	10,365,688	4,358,291	42.05
SO. CENTRAL ARK. ELEC. COOP.	12,917,441	8,036,083	62.21
S. W. ARK. ELEC. COOP.	47,816,288	25,249,640	52.81
SOUTHWESTERN ELEC. POWER	213,638,637	135,561,155	63.45
WOODRUFF ELEC. COOP.	39,126,381	17,802,348	45.50
TOTALS	$4,985,547,148	$2,000,274,058	40.12%

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ELECTRIC COMPANIES - ARKANSAS ONLY
CUSTOMERS; KWH SOLD; REVENUES; OTHER STATISTICS
YEAR ENDED DECEMBER 31, 1985

COMPANY		CUSTOMERS	KWH SOLD	REVENUES	AVG. REV. PER CUSTOMER	AVG. KWH PER CUSTOMER
ARK. ELECTRIC COOP. CORP.	RES.			$	$	
	COMM.					
	INDUST.					
	OTHER	N/A	3,838,095,151	190,068,999	N/A	N/A
	TOTAL	N/A	3,838,095,151	$ 190,068,999	$ N/A	N/A
ARK. POWER & LIGHT CO.	RES.	460,490	4,561,832,985	$ 346,201,796	$ 752	9,906
	COMM.	55,673	3,171,133,191	198,025,133	3,557	56,960
	INDUST.	17,450	5,870,559,297	285,353,241	16,353	336,422
	OTHER	1,444	12,273,046,021	446,677,171	309,333	8,499,339
	TOTAL	535,057	25,876,571,494	$1,276,257,341	$ 2,385	48,362
ARK. VALLEY ELEC. COOP.	RES.	25,540	255,093,041	$ 20,741,468	$ 812	9,988
	COMM.	1,281	39,751,039	3,140,310	2,451	31,031
	INDUST.	7	95,624,680	4,835,626	690,804	13,660,669
	OTHER	405	3,527,156	528,641	1,305	8,709
	TOTAL	27,233	393,995,916	$ 29,246,045	$ 1,074	14,468

(1)This is a generation and transmission Cooperative (wholesale only).

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CUSTOMERS; KWH SOLD; REVENUES; OTHER STATISTICS (CONT'D)
YEAR ENDED DECEMBER 31, 1985

COMPANY	CUSTOMERS		KWH SOLD	REVENUES	AVG. REV. PER CUSTOMER	AVG. KWH PER CUSTOMER
ASHLEY-CHICOT ELEC. COOP.	RES.	2,898	29,888,252	$ 2,490,032	$ 859	10,313
	IRRIGA.	301	5,997,655	535,079	1,778	19,926
	COMM.	636	5,928,906	619,379	974	9,322
	INDUST.	0	0	0	0	0
	OTHER	17	504,429	49,039	2,885	29,672
	TOTAL	3,852	42,319,242	$ 3,693,529	$ 959	10,986
C & L ELEC. COOP.	RES.	13,406	119,063,967	$ 10,319,998	$ 770	8,881
	IRRIGA.	478	5,923,190	713,934	1,494	12,392
	COMM.	947	26,193,486	2,119,570	2,238	27,659
	INDUST.	1	633,000	66,260	66,260	633,000
	OTHER	339	3,755,796	503,250	1,485	11,079
	TOTAL	15,171	155,569,439	$ 13,723,012	$ 905	10,254
CARROLL ELEC. COOP.	RES.	28,667	288,395,036	$ 22,609,275	$ 789	10,060
	COMM.	1,542	65,714,962	4,932,414	3,199	42,617
	INDUST.	3	29,562,944	1,303,566	434,522	9,854,315
	OTHER	34	2,043,768	671,593	19,753	60,111
	TOTAL	30,246	385,716,710	$ 29,516,848	$ 976	12,753
CLAY COUNTY ELEC. COOP.	RES.	8,378	63,459,320	$ 5,029,227	$ 600	7,575
	IRRIGA.	853	5,109,141	596,861	700	5,990
	COMM.	713	25,106,264	2,004,551	2,811	35,212
	INDUST.	4	13,277,362	885,987	221,497	3,319,341
	OTHER	66	1,368,110	123,113	1,865	20,729
	TOTAL	10,014	108,320,197	$ 8,639,739	$ 863	10,817

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CUSTOMERS; KWH SOLD; REVENUES; OTHER STATISTICS (CONT'D)
YEAR ENDED DECEMBER 31, 1985

COMPANY	CUSTOMERS		KWH SOLD	REVENUES	AVG. REV. PER CUSTOMER	AVG. KWH PER CUSTOMER
CRAIGHEAD ELEC. COOP.	RES.	18,839	195,061,463	$ 15,690,853	$ 833	10,354
	IRRIGA.	1,034	13,438,795	1,379,206	1,334	12,997
	COMM.	2,680	45,298,721	3,968,497	1,481	16,903
	INDUST.	4	8,607,790	600,036	150,009	2,151,948
	OTHER	22	307,571	110,169	5,008	13,981
	TOTAL	22,579	262,714,340	$ 21,748,761	$ 963	11,635
EMPIRE DISTRICT ELEC.	RES.	2,161	17,300,915	$ 985,788	$ 456	8,006
	COMM.	483	16,828,738	923,431	1,912	34,842
	INDUST.	4	21,655,298	871,620	217,905	5,413,825
	OTHER	63	280,632,029	5,029,613	79,835	4,454,477
	TOTAL	2,711	336,416,980	$ 7,810,452	$ 2,881	124,093
FARMERS ELEC. COOP.	RES.	3,896	38,990,470	$ 2,963,457	761	10,008
	IRRIGA.	690	11,926,262	1,248,535	1,809	17,284
	COMM.	336	8,075,789	608,511	1,811	24,035
	INDUST.	0	0	0	0	0
	OTHER	8	311,840	102,168	12,771	38,980
	TOTAL	4,930	59,304,361	$ 4,922,671	$ 999	12,029
FIRST ELEC. COOP.	RES.	37,583	395,778,909	$ 31,879,248	$ 848	10,531
	IRRIGA.	1,214	22,848,185	1,853,436	1,527	18,821
	COMM.	1,301	55,966,954	3,846,859	2,957	43,018
	INDUST.	2	204,745,657	6,878,465	3,439,233	102,372,829
	OTHER	252	10,930,269	1,106,010	4,389	43,374
	TOTAL	40,352	690,269,974	$ 45,564,018	$ 1,129	17,106

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CUSTOMERS; KWH SOLD; REVENUES; OTHER STATISTICS (CONT'D)
YEAR ENDED DECEMBER 31, 1985

COMPANY	CUSTOMERS		KWH SOLD	REVENUES	AVG. REV. PER CUSTOMER	AVG. KWH PER CUSTOMER
MISS. COUNTY ELEC. COOP.	RES.	3,083	29,251,152	$ 2,446,073	$ 793	9,488
	IRRIGA.	8	502,281	53,891	6,736	62,785
	COMM.	158	2,316,874	190,829	1,208	14,664
	INDUST.	1	1,010,400	84,790	84,790	1,010,400
	OTHER	30	242,973	38,238	1,275	8,099
	TOTAL	3,280	33,323,680	$ 2,813,821	$ 858	10,160
NORTH ARK. ELEC. COOP.	RES.	18,912	183,462,568	15,604,861	$ 825	9,701
	COMM.	1,262	53,691,302	3,772,814	2,990	42,545
	INDUST.	3	39,727,967	2,152,796	717,599	13,242,656
	OTHER	290	3,802,478	610,812	2,106	13,112
	TOTAL	20,467	280,684,315	$ 22,141,283	$ 1,082	13,714
OKLA. GAS & ELEC. CO.	RES.	45,321	463,264,004	$ 33,200,830	$ 733	10,222
	COMM.	6,565	415,674,547	25,673,793	3,911	63,317
	INDUST.	99	531,885,262	24,328,189	245,739	5,372,578
	OTHER	739	402,516,567	20,050,084	27,131	544,677
	TOTAL	52,724	1,813,340,380	$ 103,252,896	$ 1,958	34,393
OUACHITA ELEC. COOP.	RES.	7,051	60,101,983	$ 5,096,964	$ 723	8,524
	COMM.	800	77,667,525	5,713,525	7,142	97,084
	INDUST.	8	22,820,200	2,422,608	302,826	2,852,525
	OTHER	6	361,746	130,789	21,798	60,291
	TOTAL	7,865	160,951,454	$ 13,363,886	$ 1,699	20,464

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CUSTOMERS; KWH SOLD; REVENUES; OTHER STATISTICS (CONT'D)
YEAR ENDED DECEMBER 31, 1985

COMPANY	CUSTOMERS		KWH SOLD	REVENUES	AVG. REV. PER CUSTOMER	AVG. KWH PER CUSTOMER
OZARKS ELEC. COOP.	RES.	22,468	219,870,290	$ 16,107,571	$ 717	9,786
	COMM.	275	37,779,610	2,800,546	10,184	137,380
	INDUST.	5	28,900,700	1,761,048	352,210	5,780,140
	OTHER	111	9,745,422	899,122	8,100	87,797
	TOTAL	22,859	296,296,022	$ 21,568,287	$ 944	12,962
PETIT JEAN ELEC. COOP.	RES.	11,770	93,173,353	$ 7,945,175	$ 675	7,916
	COMM.	945	30,820,700	2,333,336	2,469	32,614
	INDUST.	2	4,080,240	296,369	148,185	2,040,120
	OTHER	222	2,249,260	323,074	1,455	10,132
	TOTAL	12,939	130,323,553	$ 10,897,954	$ 842	10,072
RICELAND ELEC. COOP.	RES.	2,601	21,328,606	$ 2,238,365	$ 861	8,200
	IRRIGA.	702	9,699,120	1,118,781	1,594	13,816
	COMM.	147	3,933,443	435,254	2,961	26,758
	INDUST	2	2,914,000	243,022	121,511	1,457,000
	OTHER	0	0	1,577	0	0
	TOTAL	3,452	37,875,169	$ 4,036,999	$ 1,169	10,972
RICH MTN. ELEC. COOP.	RES.	4,608	41,635,808	$ 3,768,228	$ 818	9,036
	COMM.	316	6,959,626	566,109	1,791	22,024
	INDUST.	0	0	0	0	0
	OTHER	0	0	23,954	0	0
	TOTAL	4,924	48,595,434	$ 4,358,291	$ 885	9,869

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CUSTOMERS; KWH SOLD; REVENUES; OTHER STATISTICS (CONT'D)
YEAR ENDED DECEMBER 31, 1985

COMPANY	CUSTOMERS		KWH SOLD	REVENUES	AVG. REV. PER CUSTOMER	AVG. KWH PER CUSTOMER
SO. CENTRAL ARK. ELEC. COOP.	RES.	6,870	54,604,404	$ 4,581,560	$ 667	7,948
	IRRIGA.	3	94,133	14,458	4,819	31,378
	COMM.	356	10,080,717	875,537	2,459	28,317
	INDUST.	2	55,957,566	2,526,662	1,263,331	27,978,783
	OTHER	7	124,308	37,866	5,409	17,758
	TOTAL	7,238	120,861,128	$ 8,036,083	$ 1,110	16,698
S.W. ARK. ELEC. Coop.	RES.	17,410	165,528,977	$ 13,458,882	$ 773	9,508
	IRRIGA.	63	605,795	87,744	1,393	9,616
	COMM.	1,566	78,335,595	5,995,380	3,828	50,023
	INDUST.	4	109,789,200	5,615,150	1,403,788	27,447,300
	OTHER	10	332,258	92,484	9,248	33,226
	TOTAL	19,053	354,591,825	$ 25,249,640	$ 1,325	18,611
SOUTHWESTERN ELEC. POWER	RES.	64,832	562,579,219	$ 37,602,159	$ 580	8,677
	COMM.	9,824	478,927,727	26,559,622	2,704	48,751
	INDUST.	550	992,547,904	45,625,450	82,955	1,804,633
	OTHER	617	483,364,961	25,773,924	41,773	783,412
	TOTAL	75,823	2,517,419,811	$ 135,561,155	$ 1,788	33,201
WOODRUFF ELEC. COOP.	RES.	12,711	120,974,766	$ 10,068,337	$ 792	9,517
	IRRIGA.	2,240	30,991,683	3,494,900	1,560	13,836
	COMM.	702	29,093,336	2,524,191	3,596	41,443
	INDUST.	6	25,326,982	1,481,401	246,900	4,221,164
	OTHER	8	126,960	233,519	29,190	15,870
	TOTAL	15,667	206,513,727	$ 17,802,348	$ 1,136	13,181
TOTALS		938,436	38,150,070,302	$2,000,274,058	$ 2,131	40,653

ARKANSAS PUBLIC SERVICE COMMISSION

FIFTH-SECOND
ANNUAL REPORT

GAS COMPANIES - ARKANSAS ONLY
PLANT INVESTMENT; OPERATING REVENUES
YEAR ENDED DECEMBER 31, 1985

COMPANY	PLANT INVESTMENT	OPERATING REVENUES	RATIO (%) GROSS REV./INVEST.
ARKLA GAS CO.	$ 457,607,510	$ 466,545,466	101.95%
ARKANSAS OKLAHOMA GAS CO.	26,242,708	34,550,514	131.66
ARKANSAS WESTERN GAS CO.	95,478,222	76,036,522	79.64
ASSOCIATED NATURAL GAS CO.	14,677,924	15,141,391	103.16
LOUISIANA-NEVADA TRANSIT CO.	1,697,958	5,578,019	328.51
MANSFIELD GAS, INC.	479,930	246,602	51.38
UNION GAS COMPANY OF ARK.	475,533	1,082,573	227.65
TOTALS	$ 596,659,785	$ 599,181,087	100.42%

ARKANSAS PUBLIC SERVICE COMMISSION

FIFTY-SECOND
ANNUAL REPORT

GAS COMPANIES - ARKANSAS ONLY
CUSTOMERS; MCF SOLD; REVENUES; OTHER STATISTICS
YEAR ENDED DECEMBER 31, 1985

COMPANY		CUSTOMERS	MCF SOLD	REVENUES	AVG. REV. PER CUSTOMER	AVG. MCF PER CUSTOMER
ARKLA GAS COMPANY	RES.	347,060	30,850,314	$ 131,778,086	$ 380	89
	COMM.	42,774	19,938,166	81,905,007	1,915	466
	INDUST.	1,190	57,623,327	217,197,749	182,519	48,423
	OTHER	6	2,415,337	35,664,624	5,944,104	402,556
	TOTAL	391,030	110,827,144	$ 466,545,466	$ 1,193	283
ARKANSAS OKLAHOMA GAS CO.	RES.	32,399	3,238,603	$ 11,990,057	$ 370	100
	COMM.	4,410	2,582,384	8,965,074	2,033	586
	INDUST.	49	4,068,831	12,367,600	252,400	83,037
	OTHER	10	213,506	1,227,783	122,778	21,351
	TOTAL	36,868	10,103,324	$ 34,550,514	$ 937	274
ARKANSAS WESTERN GAS CO.	RES.	65,558	5,939,660	$ 28,922,529	$ 441	91
	COMM.	9,506	4,164,257	18,815,171	1,979	438
	INDUST.	271	5,836,843	23,643,170	87,244	21,538
	OTHER	2	1,923	4,655,652	2,327,826	962
	TOTAL	75,337	15,942,683	$76,036,522	$ 1,009	212
ASSOCIATED NATURAL GAS CO.	RES.	16,411	1,341,245	$ 7,077,446	$ 431	82
	COMM.	1,880	632,235	2,950,373	1,569	336
	INDUST.	38	1,203,572	5,011,884	131,892	31,673
	OTHER	59	12,663	101,688	1,724	215
	TOTAL	18,388	3,189,715	$ 15,141,391	$ 823	173

ARKANSAS PUBLIC SERVICE COMMISSION

FIFTY-SECOND
ANNUAL REPORT

GAS COMPANIES - ARKANSAS ONLY
CUSTOMERS; MCF SOLD; REVENUES; OTHER STATISTICS
YEAR ENDED DECEMBER 31, 1985

COMPANY	CUSTOMERS		MCF SOLD	REVENUES	AVG. REV. PER CUSTOMER	AVG. MCF PER CUSTOMER
LOUISIANA-NEVADA TRANSIT CO.	RES.	1,417	108,583	$ 494,021	$ 349	77
	COMM.	142	191,888	396,549	2,793	1,351
	INDUST.	1	2,234,690	3,792,566	3,792,566	2,234,690
	OTHER	12	507,189	894,883	74,574	42,266
	TOTAL	1,572	3,042,350	$ 5,578,019	$ 3,548	1,935
MANSFIELD GAS, INC.	RES.	619	45,681	170,817	$ 276	74
	COMM.	64	14,462	48,648	760	226
	INDUST.	1	7,459	25,293	25,293	7,459
	OTHER	0	0	1,844	0	0
	TOTAL	684	67,602	$ 246,602	$ 361	99
UNION GAS COMPANY OF ARK.	RES.	1,714	138,702	$ 708,279	$ 413	81
	COMM.	277	73,375	347,467	1,254	265
	INDUST.	0	0	0	0	0
	OTHER	10	5,742	26,827	2,683	574
	TOTAL	2,001	217,819	$ 1,082,573	$ 541	109
TOTALS		525,880	143,390,637	$ 599,181,087	$ 1,139	273

ARKANSAS PUBLIC SERVICE COMMISSION

FIFTY-SECOND
ANNUAL REPORT

WATER AND SEWER COMPANIES - ARKANSAS ONLY
PLANT INVESTMENT; OPERATING REVENUES
YEAR ENDED DECEMBER 31, 1985

COMPANY	PLANT INVESTMENT	OPERATING REVENUES	RATIO (%) GROSS REV./INVEST.
GENERAL WATERWORKS OF PINE BLUFF, INC.	$ 14,195,241	$ 4,200,398	29.59%
ISLAND WATERWORKS COMPANY	8,397	7,044	83.89
OZARK WATERWORKS, INC.	603,030	43,791	07.26
PULASKI SEWER CORPORATION	373,370	122,192	32.73
QUAPAW WATER COMPANY	6,510,248	593,604	09.12
RIVIERA UTILITIES OF ARK., INC. (DIAMONDHEAD)	700,706	160,225	22.87
SEBASTIAN LAKE PUB. UTIL.- WATER	73,976	25,354	34.27
SEBASTIAN LAKE PUB. UTIL.- SEWER	83,539	11,321	13.55
SHUMAKER PUB. SERV. - WATER	461,780	286,281	62.00
SHUMAKER PUB. SERV. - SEWER	200,697	118,055	58.82
64-71 HIGHWAY WATER CO.	222,198	98,481	44.32
SPRINGHILL WATER & SEWER	262,318	41,033	15.64
SPRINGHILL WATER & SEWER	261,786	23,147	08.84
SWANSON, J. W., INC. (KINGSWOOD ESTATES)	16,805	8,087	48.12
TOTALS	$ 23,974,091	$ 5,739,013	23.94%

ARKANSAS PUBLIC SERVICE COMMISSION

FIFTY-SECOND
ANNUAL REPORT

WATER AND SEWER COMPANIES - ARKANSAS ONLY
CUSTOMERS; OTHER STATISTICS
YEAR ENDED DECEMBER 31, 1985

COMPANY	SALES/TYPE	CUSTOMERS	REVENUES	AVERAGE REV. PER CUSTOMER
GENERAL WATERWORKS OF PINE BLUFF, INC.	METERED-GEN. CUSTOMERS	19,772	$ 3,671,776	$ 186
	FLAT RATE-GEN. CUSTOMERS	0	0	0
	ALL OTHER	287	528,622	1,842
	TOTAL	20,059	$ 4,200,398	$ 209
ISLAND WATERWORKS CO.	METERED-GEN. CUSTOMERS	0	$ 0	$ 0
	FLAT RATE-GEN. CUSTOMERS	44	7,044	160
	ALL OTHER	0	0	0
	TOTAL	44	$ 7,044	$ 160
OZARK WATERWORKS, INC.	METERED-GEN. CUSTOMERS	326	$ 42,701	$ 131
	FLAT RATE-GEN. CUSTOMERS	0	0	0
	ALL OTHER	1	1,090	1,090
	TOTAL	327	$ 43,791	$ 134
PULASKI SEWER CORPORATION	RESIDENTIAL	583	$ 72,854	$ 125
	COMMERCIAL	46	22,498	489
	INDUSTRIAL	6	23,940	3,990
	OTHER	0	2,900	0
	TOTAL	635	$ 122,192	$ 192
QUAPAW WATER COMPANY	METERED-GEN. CUSTOMERS	2,585	$ 425,024	$ 164
	FLAT RATE-GEN. CUSTOMERS	0	0	0
	ALL OTHER	15	168,580	11,239
	TOTAL	2,600	$ 593,604	$ 228

ARKANSAS PUBLIC SERVICE COMMISSION

FIFTY-SECOND
ANNUAL REPORT

WATER AND SEWER COMPANIES - ARKANSAS ONLY
CUSTOMERS; OTHER STATISTICS
YEAR ENDED DECEMBER 31, 1985

COMPANY	SALES/TYPE	CUSTOMERS	REVENUES	AVERAGE REV. PER CUSTOMER
RIVIERA UTIL. OF ARK., INC. (DIAMONDHEAD)	METERED-GEN. CUSTOMERS	270	$ 160,225	$ 593
	FLAT RATE-GEN. CUSTOMERS	0	0	0
	ALL OTHER	0	0	0
	TOTAL	270	$ 160,225	$ 593
SEBASTIAN LAKE PUB. UTIL. - WATER	METERED-GEN. CUSTOMERS	99	$ 25,354	$ 256
	FLAT RATE-GEN. CUSTOMERS	0	0	0
	ALL OTHER	0	0	0
	TOTAL	99	$ 25,354	$ 256
SEBASTIAN LAKE PUB. UTIL. - SEWER	RESIDENTIAL	91	$ 11,321	$ 124
	COMMERCIAL	0	0	0
	INDUSTRIAL	0	0	0
	OTHER	0	0	0
	TOTAL	91	$ 11,321	$ 124
SHUMAKER PUB. SERV. (WATER)	METERED-GEN. CUSTOMERS	486	$ 181,851	$ 374
	FLAT RATE-GEN. CUSTOMERS	0	0	0
	ALL OTHER	33	104,430	3,165
	TOTAL	519	$ 286,281	$ 552
SHUMAKER PUB. SERV. (SEWER)	RESIDENTIAL	338	$ 19,367	$ 57
	COMMERCIAL	61	24,303	398
	INDUSTRIAL	87	74,385	855
	OTHER	0	0	0
	TOTAL	486	$ 118,055	$ 243

ARKANSAS PUBLIC SERVICE COMMISSION

FIFTY SECOND
ANNUAL REPORT

WATER AND SEWER COMPANIES - ARKANSAS ONLY
CUSTOMERS; OTHER STATISTICS
YEAR ENDED DECEMBER 31, 1985

COMPANY	SALES/TYPE	CUSTOMERS	REVENUES	AVERAGE REV. PER CUSTOMER
64-71 HIGHWAY WATER CO.	METERED-GEN. CUSTOMERS	590	$ 97,691	$ 166
	FLAT RATE-GEN. CUSTOMERS	0	0	0
	ALL OTHER	0	790	0
	TOTAL	590	$ 98,481	$ 167
SPRINGHILL WATER & SEWER	METERED-GEN. CUSTOMERS	229	$ 41,033	$ 179
	FLAT RATE-GEN. CUSTOMERS	0	0	0
	ALL OTHER	0	0	0
	TOTAL	229	$ 41,033	$ 179
SPRINGHILL WATER & SEWER	RESIDENTIAL	229	$ 22,147	$ 97
	COMMERCIAL	0	0	0
	INDUSTRIAL	0	0	0
	OTHER	0	1,000	0
	TOTAL	229	$ 23,147	$ 101
SWANSON, J. W., INC. (KINGSWOOD ESTATES)	METERED-GEN. CUSTOMERS	42	$ 8,087	$ 193
	FLAT RATE-GEN. CUSTOMERS	0	0	0
	ALL OTHER	0	0	0
	TOTAL	42	$ 8,087	$ 193
TOTALS		26,220	$ 5,739,013	$ 219

ARKANSAS PUBLIC SERVICE COMMISSION

FIFTY-SECOND
ANNUAL REPORT

TELEPHONE COMPANIES - ARKANSAS ONLY
PLANT INVESTMENT: OPERATING REVENUES
YEAR ENDED DECEMBER 31, 1985

COMPANY	PLANT INVESTMENT	OPERATING REVENUES	RATIO (%) GROSS REV./INVEST.
AT&T COMMUNICATIONS OF THE S.W.	$ 140,237,814	$ 38,261,865	27.28%
ALLTEL ARKANSAS, INC.	60,290,648	183,917,335	305.05
ARKANSAS TELEPHONE CO.	9,264,685	2,720,966	29.37
CADDOAN TELEPHONE CO.	158,994	116,179	73.07
CENTRAL ARK. TEL. COOP.	3,690,255	776,889	21.05
CLEVELAND COUNTY TEL. CO.	1,756,484	1,081,388	61.57
CONTINENTAL TEL. CO. OF ARK.	104,775,112	42,076,175	40.16
CONTINENTAL TEL. CO. OF MO.	1,461,478	571,287	39.09
DECATUR TELEPHONE CO.	1,289,343	492,748	38.22
GEN. TEL. CO. OF THE S.W.	150,499,057	52,463,035	34.86
LAVACA TELEPHONE CO.	1,374,278	447,783	32.58
LIBERTY TEL. & COMMUNICATIONS	15,821,776	5,300,815	33.50
LIBERTY TELEPHONE CO.	8,849,641	1,973,180	22.30
MADISON COUNTY TEL. CO.	4,355,828	1,120,682	25.73
MAGAZINE TEL. CO.	825,268	213,734	25.90
MOUNTAIN HOME TEL. CO.	19,999,110	6,465,145	32.33
MOUNTAIN VIEW TEL. CO.	4,560,550	1,516,266	33.25
NORTHERN ARK. TEL. CO.	6,297,917	2,545,345	40.42
PERCO TELEPHONE CO.	3,948,005	1,209,684	30.64
PRAIRIE GROVE TEL. CO.	8,300,761	3,301,352	39.77
REDFIELD TELEPHONE CO.	2,942,094	513,435	17.45
RICE BELT TEL. CO.	1,588,534	523,501	32.95
E. RITTER TELEPHONE CO.	7,210,623	2,293,806	31.81
SOUTH ARKANSAS TEL. CO.	6,086,997	1,757,408	22.87
SOUTHWEST ARK. TEL. COOP.	9,809,327	2,037,486	20.77
SOUTHWESTERN BELL TEL. CO.	1,323,823,766	475,307,852	35.90
TRI-COUNTY TELEPHONE CO.	10,074,132	1,914,207	19.00
UNION TELEPHONE CO., INC.	1,671,172	453,810	27.16
UNITED TEL. CO. OF ARK.	20,526,353	8,338,097	40.62
WALNUT HILL TELEPHONE CO.	11,997,448	3,581,261	29.85
YELCOT TELEPHONE CO.	5,452,251	1,903,549	34.91
YELL COUNTY TELEPHONE CO.	7,438,782	1,955,249	26.28
TOTALS	$1,956,378,483	$847,151,514	43.30%

ARKANSAS PUBLIC SERVICE COMMISSION

FIFTY-SECOND
ANNUAL REPORT

TELEPHONE COMPANIES - ARKANSAS ONLY
ACCESS LINES
YEAR ENDED DECEMBER 31, 1985

COMPANY	ACCESS LINES	
AT&T COMMUNICATIONS OF THE S.W.	BUSINESS	N/A
	RESIDENTIAL & RURAL	N/A
	TOTAL	N/A
ALLTEL ARKANSAS, INC.	BUSINESS	10,445
	RESIDENTIAL & RURAL	54,090
	TOTAL	64,535
ARKANSAS TELEPHONE CO.	BUSINESS	900
	RESIDENTIAL & RURAL	4,253
	TOTAL	5,153
CADDOAN TELEPHONE CO.	BUSINESS	27
	RESIDENTIAL & RURAL	233
	TOTAL	260
CENTRAL ARK. TEL. COOP.	BUSINESS	110
	RESIDENTIAL & RURAL	1,795
	TOTAL	1,905
CLEVELAND COUNTY TEL. CO.	BUSINESS	176
	RESIDENTIAL & RURAL	2,052
	TOTAL	2,228
CONTINENTAL TEL. CO. OF ARK.	BUSINESS	9,987
	RESIDENTIAL & RURAL	54,981
	TOTAL	64,968
CONTINENTAL TEL. CO. OF MO.	BUSINESS	122
	RESIDENTIAL & RURAL	741
	TOTAL	863

ARKANSAS PUBLIC SERVICE COMMISSION

FIFTY-SECOND
ANNUAL REPORT

TELEPHONE COMPANIES - ARKANSAS ONLY
ACCESS LINES (CONT'D)
YEAR ENDED DECEMBER 31, 1985

COMPANY	ACCESS LINES	
DECATUR TELEPHONE CO.	BUSINESS	131
	RESIDENTIAL & RURAL	512
	TOTAL	643
GEN. TEL. CO. OF THE S.W.	BUSINESS	9,521
	RESIDENTIAL & RURAL	54,299
	TOTAL	63,820
LAVACA TELEPHONE CO.	BUSINESS	112
	RESIDENTIAL & RURAL	909
	TOTAL	1,021
LIBERTY TEL. & COMMUNICATIONS	BUSINESS	1,143
	RESIDENTIAL & RURAL	6,346
	TOTAL	7,489
LIBERTY TELEPHONE CO.	BUSINESS	673
	RESIDENTIAL & RURAL	4,071
	TOTAL	4,744
MADISON COUNTY TEL. CO.	BUSINESS	440
	RESIDENTIAL & RURAL	1,980
	TOTAL	2,417
MAGAZINE TEL. CO.	BUSINESS	55
	RESIDENTIAL & RURAL	639
	TOTAL	694
MOUNTAIN HOME TEL. CO.	BUSINESS	2,170
	RESIDENTIAL & RURAL	10,868
	TOTAL	13,038
MOUNTAIN VIEW TEL. CO.	BUSINESS	748
	RESIDENTIAL & RURAL	3,234
	TOTAL	3,982

ARKANSAS PUBLIC SERVICE COMMISSION

FIFTY-SECOND
ANNUAL REPORT

TELEPHONE COMPANIES - ARKANSAS ONL.
ACCESS LINES (CONT'D)
YEAR ENDED DECEMBER 31, 1985

COMPANY	ACCESS LINES	
NORTHERN ARK. TEL. CO.	BUSINESS	482
	RESIDENTIAL & RURAL	3,896
	TOTAL	4,461
PERCO TELEPHONE CO.	BUSINESS	226
	RESIDENTIAL & RURAL	2,500
	TOTAL	2,726
PRAIRIE GROVE TEL. CO.	BUSINESS	746
	RESIDENTIAL & RURAL	4,880
	TOTAL	5,626
REDFIELD TELEPHONE CO.	BUSINESS	140
	RESIDENTIAL & RURAL	1,025
	TOTAL	1,165
RICE BELT TEL. CO.	BUSINESS	251
	RESIDENTIAL & RURAL	804
	TOTAL	1,055
E. RITTER TELEPHONE CO.	BUSINESS	539
	RESIDENTIAL & RURAL	3,274
	TOTAL	3,813
SOUTH ARKANSAS TEL. CO.	BUSINESS	422
	RESIDENTIAL & RURAL	2,522
	TOTAL	2,944
SOUTHWEST ARK. TEL. COOP.	BUSINESS	296
	RESIDENTIAL & RURAL	3,493
	TOTAL	3,789
SOUTHWESTERN BELL TEL. CO.	BUSINESS	159,852
	RESIDENTIAL & RURAL	491,329
	TOTAL	651,181
TRI-COUNTY TELEPHONE CO.	BUSINESS	385
	RESIDENTIAL & RURAL	2,803
	TOTAL	3,188

ARKANSAS PUBLIC SERVICE COMMISSION

FIFTY-SECOND
ANNUAL REPORT

TELEPHONE COMPANIES - ARKANSAS ONLY
ACCESS LINES (CONT'D)
YEAR ENDED DECEMBER 31, 1985

COMPANY	ACCESS LINES	
UNION TELEPHONE CO., INC.	BUSINESS	168
	RESIDENTIAL & RURAL	494
	TOTAL	662
UNITED TEL. CO. OF ARK.	BUSINESS	2,568
	RESIDENTIAL & RURAL	12,097
	TOTAL	14,665
WALNUT HILL TELEPHONE CO.	BUSINESS	537
	RESIDENTIAL & RURAL	3,181
	TOTAL	3,718
YELCOT TELEPHONE CO.	BUSINESS	393
	RESIDENTIAL & RURAL	1,996
	TOTAL	2,389
YELL COUNTY TELEPHONE CO.	BUSINESS	486
	RESIDENTIAL & RURAL	3,298
	TOTAL	3,784
TOTAL ACCESS LINES IN ARKANSAS		942,926

SUMMARY OF COMPLAINTS/INQUIRY

Consumer complaints/inquiries decreased from 10,575 in 1985 to 10,282 in 1986, a decrease of 2.8%. The total number of verbal complaints/inquiries increased from 8,173 in 1985 to 9,897 in 1986, an increase of 21.1%. (Figures for February and March were unavailable and were estimated.)

Written complaints/inquiries decreased from 547 in 1985 to 385 in 1986, a decrease of 29.6%.

The verbal inquiries reflect consumer interest in current utility rates and Commission activities in on-going rate proceedings.

The attached data on page 31 is a summary of complaints/inquiries processed during the calendar year of 1986.

1986

COMPLAINT SUMMARY

WRITTEN COMPLAINTS

	Telephone	Electric	Gas	Water	Misc.
Billing	83	89	29	24	0
Service	44	5	4	8	0
Service Requests	47	12	0	4	0
Misc.	28	2	0	1	5
	202	108	33	37	5

Total 385

VERBAL UTILITY COMPLAINTS

	Telephone	Electric	Gas	Water	Misc.
Billing	716	1148	320	53	0
Service	295	76	42	8	0
Service Requests	218	59	53	14	0
Misc.	874	1201	1950	310	2560
	2103	2484	2365	385	2560

Total 9,897

1986 Total 10,282

Summary of Rate Application Dockets Concluded in the Year 1986

SPRINGHILL WATER AND SEWER SYSTEM, INC. - Docket No. 85-097-U

Application for waiver of normal Commission filing requirements and Staff assistance in order to "develop rates which will be reasonable and fair . . ." for both water and sewer operations. Principal issues: rate base determination, cost of capital/rate of return, and rate design.

The Commission found that the water division had an earnings deficiency of $2,867 and a gross revenue requirement of $42,514; found that the sewer division had an earnings deficiency of $10,126 and a gross revenue requirement of $33,953; ordered the Company to file revised tariffs to produce additional annual revenue in the total amount of $12,993, reflecting a total revenue requirement of $76,467.

Arkansas Public Service Commission
Order No. 3 dated January 10, 1986.

GENERAL TELEPHONE COMPANY OF THE SOUTHWEST - Docket No. 85-127-U

Application to adjust rates and charges for intrastate service exclusive of Texarkana, Arkansas, customers. Requested increase in annual revenues of $6,410,615 to achieve 16.25% rate of return on equity and an overall rate of return of 11.37%, using a pro forma toll rate of return of 5.21%; or, alternatively, an increase in annual revenues of $4,600,000 utilizing a toll rate of return of 9.5%.

Principal issues: employee expenses and cost savings projects, cash working capital (lead lag vs. modified balance sheet approach), toll revenues calculation, rate of return (double leverage/cost of common equity), rate design (including increase in service connection charges, increase in coin telephone rates from 10¢ to 25¢, and increase in directory assistance charges from 20¢ to 30¢ per call over a three-call minimum).

Commission denied request for increase in coin telephone rates but granted service connection charges and directory assistance increases in rate design; found revenue requirement to be $34,371,898 and authorized Company to file rates and tariffs designed to collect additional revenues in the amount of $809,001; ordered Company to file an Agreement and Undertaking to collect depreciation rates as authorized in the Order pending outcome of preemption litigation pending before the United States Supreme Court.

Arkansas Public Service Commission
Order No. 10 dated March 17, 1986.

Commission reversed and modified Order No. 10 after rehearing on certain issues and found revenue requirement to be $34,135,510 rather than $34,371,898 and directed Company to file revised rates and tariffs designed to collect a revenue deficiency of $159,165 rather than the $809,001 authorized in Order No. 10.

Arkansas Public Service Commission
Order No. 18 dated October 28, 1986.

NOTE: These rates were filed on November 26, 1986, but have not been implemented for the reason that rates may again change as the result of depreciation refund issues pending in Docket No. 86-250-U.

REDFIELD TELEPHONE COMPANY, INC. - Docket No. 85-140-U

Application for adjustment in rates to produce additional annual revenues of $196,248. Principal issues: rate of return (double leverage/cost of common equity), revenue impact associated with addition of "Touch-Tone" service coincidental with cut-over to new digital central office equipment, and unrecovered costs of retired plant when Company places completely rebuilt telephone system into service.

Company ordered to file revised tariffs designed to collect additional revenues in the amount of $96,804.

Arkansas Public Service Commission
Order No. 7 dated February 21, 1986.

ARKANSAS POWER & LIGHT COMPANY - Docket No. 85-299-U

This proceeding arose out of Company's rate case in Docket No. 84-249-U in which Order No. 26, issued September 9, 1985, approved a Stipulation and Settlement Agreement regarding Company's revenue requirements. However, that Agreement left unresolved the issues of customer class allocations and rate design, with interim rates to be increased proportionately (based on revenues) to all customer classes, and resolution of those unresolved issues to be addressed in a new docket. The Agreement further provided that a final order on those questions be issued on or before March 31, 1986. Order No. 31, entered November 13, 1985, in Docket No. 84-249-U approved as final rates the interim rates previously approved in Order No. 27 in that docket on September 11, 1985.

The rate schedules, including Riders M-32 and M-33, which were already in effect pursuant to Commission approval in Order No. 31 in Docket No. 84-249-U, were ratified and approved as final rates in this

docket; the changes in rate design proposed by Company were disapproved; the changes in cotton ginning rate design proposed by the Southern Cotton Ginners Association were approved.

Arkansas Public Service Commission
Order No. 9 dated May 15, 1986.

ASSOCIATED NATURAL GAS COMPANY - Docket No. 85-308-U

Application alleged annual revenue requirements of $16,436,188 and requested annual revenue increase of $992,948. Principal issues: rate of return (double leverage/cost of common equity) and working capital (lead lag vs. modified balance sheet approach).

Commission found revenue requirement to be $12,687,457 and authorized Company to file revised tariffs producing additional revenue in the amount of $311,202.

Arkansas Public Service Commission
Order No. 7 dated October 7, 1986.

ARKANSAS ENERGY RESOURCES - Docket No. 85-311-U

On December 23, 1985, AER, a division of Arkla, Inc., filed an application for approval of revised rate schedules applicable to service to its direct sale industrial customers. Rate schedules 4A, 4B, 4C, and 4D were approved by Order No. 2 dated January 10, 1986, to be implemented January 1, 1986.

On February 10, 1986, contract between AER and Agrico Chemical was filed which was approved by Order No. 3 dated February 10, 1986.

On May 5, 1986, contract between AER and Alcoa was filed which was approved by Order No. 4 dated May 8, 1986, to be effective April 1, 1986.

LIBERTY TELEPHONE COMPANY - Docket No. 85-314-U

Application requested annual increase in revenues of $1,418,870. Company withdrew its application after Staff's audit and investigation.

MOUNTAIN HOME TELEPHONE COMPANY - Docket No. 85-317-U

Application requested annual increase in revenues of $649,997. Company withdrew its application after Staff's audit and investigation.

Summary of Rate Application Dockets
Concluded in the Year 1986 (continued)

GENERAL WATERWORKS OF PINE BLUFF, ARKANSAS, INC. - Docket No. 86-010-U

Application for annual revenue increase of $726,422. Principal issues: rate base calculation - whether or not revenue producing construction work in progress (CWIP) should be included, rate of return - cost free capital and cost of equity (parent company involved), and the appropriate customer charge.

Company granted additional annual revenue in the amount of $255,627 for a total revenue requirement of $4,289,118.

Arkansas Public Service Commission
Order No. 5 dated October 30, 1986.

OKLAHOMA GAS AND ELECTRIC COMPANY - Docket No. 86-013-U

Sought authorization to collect $1,368,151.09 from Arkansas customers through its fuel adjustment clause on monthly basis over twelve month period (amount represents Arkansas jurisdictional amount of settlement of Tenneco Oil Company suit against Company).

Petition granted.

Arkansas Public Service Commission
Order No. 2 dated April 10, 1986.

SOUTHWESTERN BELL TELEPHONE COMPANY - Docket No. 86-102-U

On May 27, 1986, the Supreme Court of the United States ruled that the Federal Communications Commission (FCC) could not impose its authority on telephone plant investment that is allocated to the states. This ruling confirmed the judgment of the Arkansas Public Service Commission which, in 1984, had taken a stand challenging the FCC's rate-making authority within the states. This Commission had ordered in 1984 that the rates used to calculate depreciation expense for Southwestern Bell would be those recommended by Commission Staff, and not those recommended by the FCC. Following the Supreme Court's decision, Commission Staff, after investigation as ordered by the Commission, determined that in the 28 months that intervened the overcollection amounted to 32 million dollars. Southwestern Bell agreed to refund the 32 million dollar over-accruals, and in October of 1986 customers received refund checks averaging 30 dollars or more.

Summary of Other Significant Dockets

Many Staff hours were required in research, financial and statistical analysis, preparing testimony, etc., in a multiplicity of dockets in 1986 relating to a myriad of subjects. Some of those dockets, by industry, were:

TELECOMMUNICATIONS

86-002-U Liberty Telephone Company and Liberty Telephone & Communications, Inc.
Joint application of these two Companies for authority to merge and file a consolidated tariff was approved by the Commission.

86-028-U E. Ritter Telephone Company
This Company's application for approval to issue fifteen year notes was approved.

86-042-U Southwestern Bell Telephone Company
Authorization was sought and granted to issue unsecured debt securities.

86-065-U Generic
This docket was established to address the appropriate manner of regulation over cellular mobile telephone service.

86-070-U Decatur Telephone Company
The application of Telephone and Data Systems, Inc. for approval to acquire the outstanding capital stock of Decatur Telephone Company was granted on May 21, 1986.

86-144-U General Telephone Company of the Southwest
GTSW's application for authority to issue and sell not more than $250,000,000 of First Mortgage Bonds was granted on August 13, 1986.

86-159-U Generic
Docket established to address those aspects of intrastate access charges relating to NTS revenue requirements, the Carrier Common Line, and the Universal Service Fund.

86-160-U Generic
Docket created to address the elements of the intrastate access charges that are to be maintained at parity with interstate access charges.

86-168-U Cleveland County Telephone Company
The application of Telephone and Data Systems, Inc. for approval to acquire the outstanding capital stock of Cleveland County Telephone Company was approved on October 7, 1986.

Summary of Other Significant Dockets (continued)

86-170-U Yelcot Telephone Company

Yelcot's application for authority to issue notes in a principal amount not to exceed $3,260,000 was granted on November 21, 1986.

86-202-U Mountain Home Telephone Company, Inc.

This Company filed an application for authority to issue a note in a principal amount not to exceed $2,200,000 which has not yet been acted upon.

86-211-R All Jurisdictional Telephone Companies

Staff filed a rulemaking petition for adoption of revisions to the Uniform System of Accounts and resulting revisions to the Annual Report forms required to be filed by jurisdictional telephone utilities. Commission Order expected late January 1987.

NATURAL GAS

85-043-U Arkansas Louisiana Gas - Transportation

The Commission opened a proceeding in 1985 to consider the proposed transportation tariffs and terms and conditions filed by Arkansas Louisiana Gas Company, a division of Arkla, Inc. The resulting decision by the Commission required the evaluation of individual customers' (whose usage was below a stated amount) alternatives to natural gas service from ALG before transportation service could be provided.

85-043-U Arkla - Resolution of Outstanding Issues

During 1986, Staff met with Arkla representatives in an attempt to resolve major issues remaining from the Arkla 85-043-U rate case. The parties reached an agreement in December and contemplate presenting it to the Commission for consideration by the end of January 1987.

86-090-U Generic

The Commission established this proceeding to address the issues of transportation of natural gas by local distribution companies, customer bypass of local distribution companies, and stand-by service. Natural gas utility companies, Staff, the Attorney General, and industrial customer groups participated through prefiled comments and oral testimony at a hearing, and a decision has not yet been rendered.

86-110-U Arkla, Inc.

The Company's application for authorization to issue common stock was approved on June 25, 1986.

86-119-U International Paper Company

This Company filed an application requesting the issuance of a certificate of environmental compatibility and public need for two natural gas pipelines to be constructed to their Pine Bluff and Camden paper plants. The Company is a customer of Arkansas Louisiana Gas Company but with the CCN approval would cease to be a customer.

Summary of Other Significant Dockets (continued)

86-194-U Arkla, Inc.
The Company's application for authorization to issue senior unsecured debt was approved by the Commission on November 26, 1986.

86-242-R All Jurisdictional Privately-Owned Gas Utilities
The Staff filed a rulemaking petition for adoption of revisions to the Uniform Systems of Accounts applicable to the jurisdictional privately-owned gas utilities and resulting changes to the Annual Report forms required of them. Commission Order expected late January 1987.

ELECTRIC

84-137-U and U-2811 Farmers Electric Cooperative
Revised tariffs filed by the Cooperative in accordance with the methodology set out in generic Docket No. U-2811 which allows electric cooperatives to flow through wholesale rate changes to their customers in an expedited manner. Farmers reduced its rates in order to reflect the applicable wholesale rates charged by AP&L pending final resolution of anti-trust litigation involving AP&L, Farmers and the City of Jonesboro. An additional amount representing deferred costs due AP&L was levied as a surcharge of $.0024 per kilowatt hour applicable for a period of one year.

86-045-U Southwestern Electric Power Company
SWEPCO's application for authority to issue and sell up to $65,000,000 principal amount of its First Mortgage Bonds, Series T, ___%, to be dated May 1, 1986, and to mature in not less than ten nor more than thirty years, was approved on April 1, 1986.

86-053-C Oklahoma Gas and Electric Company
Sparks Regional Medical Center filed a complaint against OG&E seeking the establishment of just and reasonable rates for the purchase of cogenerated power and relief from certain unfair and oppressive practices. The ultimate issue was the determination of the appropriate stand-by charge.

86-075-U Southwestern Electric Power Company
SWEPCO's application for authority to issue and sell up to $125,000,000 principal amount of its First Mortgage Bonds, in one or more series, due not later than September 1, 1986, and to mature in not less than ten nor more than thirty years, was approved on May 22, 1986.

86-084-U Oklahoma Gas and Electric Company
OG&E's application for authorization to issue common stock was approved by the Commission on June 30, 1986.

86-112-U Arkansas Power & Light Company
The Commission ordered AP&L to appear and show cause why the Summer/Winter Rate Differentials of the Company should not be eliminated or revised. As the result of the hearing in this matter, AP&L eliminated the Summer/Winter Differentials in all of their rates except the Large

General Service and Large Power Rates. The low use/level use program for residential customers was retained, as well as the reduced rate blocks for water heating and space heating customers. The M32 Rider was eliminated and the appropriate charges were incorporated in the revised base rates.

86-113-U Southwestern Electric Power Company

The Commission ordered SWEPCO to appear and show cause why the Summer/Winter Rate Differentials of the Company should not be eliminated or revised. As the result of the hearing in this matter, the Commission found that SWEPCO's existing seasonal differential was no longer warranted due to the adequate reserve margin of the Company and that the system reserve is adequate to meet any near term load growth which might materialize due to a reduction in the Summer/Winter rate differential. However, the evidence did not indicate the complete elimination of the relatively high differential; therefore, the Commission directed SWEPCO to reduce the differential to no more than 10% for all classes except the Large Power and Lighting class. SWEPCO was also allowed to retain the special rate provisions for water and space heating customers.

86-114-U Oklahoma Gas and Electric Company

The Commission ordered OG&E to appear and show cause why the Summer/Winter Rate Differentials of the Company should not be eliminated or revised. As the result of the hearing in this matter, the Commission found that the overwhelming weight of evidence in the proceeding supported the retention of OG&E's Summer/Winter rate differential.

86-117-R All Jurisdictional Privately-Owned Electric Utilities

Staff filed its rulemaking petition for the adoption of revised Uniform System of Accounts applicable to the jurisdictional privately-owned electric utilities and resulting revised Annual Report form required of them. Commission Order expected late January 1987.

86-118-U Oklahoma Gas and Electric Company

OG&E's application for authority to create a lien to secure not to exceed $165,000,000 principal amount of its First Mortgage Bonds and for authority to issue such bonds approved by the Commission on July 2, 1986.

86-131-C Arkansas Power & Light Co./Ouachita Electric Cooperative

The Royalty Owners Association of Arkansas filed a complaint with the Commission requesting the establishment of new rates that would be 50% below the currently applicable electric rates available to the oil and gas industry.

86-135-U Arkansas Electric Cooperative Corporation

This docket involved a financing transaction affecting AECC and was approved by the Commission on July 24, 1986.

86-139-U Southwestern Electric Power Company

SWEPCO's application regarding the issuance by Sabine River Authority of Texas of its Pollution Control Revenue Refunding Bonds, Series 1986, was approved on July 14, 1986.

Summary of Other Significant Dockets (continued)

OTHER

85-263-U Generic

Docket established for the purpose of determining annual interest rate applicable to utility customer deposits. Order No. 3 established an eight percent (8%) annual rate effective January 1, 1986. All Arkansas jurisdictional utilities were required to file tariffs, which Staff examined for compliance with the Commission's determination of the 8% rate. Staff also recommended that the utilities file general statements in the future that they were in compliance with the Commission's determination of the annual interest rate rather than stating a specific rate, so it would be unnecessary for them to revise and file tariffs annually.

86-116-R All Jurisdictional Water and Sewer Utilities

Staff rulemaking petition for adoption of revised Uniform Systems of Accounts applicable to water and sewer utilities and resulting changes to the Annual Report forms required to be filed by them. Revisions and amendments adopted by Commission Order dated November 3, 1986.

86-192-R General Service Rules

This docket pertains to Staff's proposal to amend Commission General Service Rule 7 relating to the right of a public utility, under specified circumstances, to refuse to serve an applicant for service and Rule 8 relating to the right of a public utility, under specified circumstances, to terminate service to an existing customer.

86-193-U Generic

This docket established for the purpose of determining annual interest rate applicable to utility customer deposits effective January 1, 1987. Order No. 3 requires all utilities to pay simple interest at the rate of six percent (6%) per annum on customers' deposits effective January 1, 1987.

86-253-U Generic

The Commission has begun an investigation into the effect on public utility revenue requirements resulting from the Tax Reform Act of 1986. All the effects should be known by July 1, 1987.

Summary of Tariff Dockets

The general purpose of tariff (TF) dockets is to allow for the filing of tariff revisions outside the scope of a general rate case. The proposals range from simple administrative changes and clarifications to complete revisions of whole tariff sections. Staff is involved in determining propriety, impact on ratepayers, and other matters; and, in the majority of dockets, files testimony relating to same.

TELECOMMUNICATIONS

There were approximately 102 tariff filings made by telephone companies in 1986. Some of the more significant included:

86-083-TF General Telephone Company of the Southwest

The proposed revisions removed the Foreign Exchange ("FX") rates from the General Exchange Tariff and provided for this service to be billed out of the Feature Group A offering in the Facilities for State Access Tariff. It was determined that the great majority of customers would experience a decrease in their monthly FX bill; those with a projected increase were using the service for something other than the purpose for which it is designed and should be encouraged to subscribe to a service more consistent with their telecommunications needs.

86-133-TF Southwestern Bell Telephone Company

The purpose of this filing was to introduce Microlink IIsm - Packet Switching Digital Service. A packet switching and transmission system breaks input data into uniform data "packets" and transmits each of these packets independently through the network; this technology maximizes the utilization of existing transmission facilities. This tariff is also significant in that it provides for the possible fluctuation of the market-based usage rates. The Company has the right to change these rates at any time provided the rates never fall below cost plus ten percent. Approval of this pricing strategy is an example of the regulatory flexibility that is increasingly necessary when addressing the more competitive areas of telecommunications service.

86-166-TF Southwestern Bell Telephone Company

This docket was for the purpose of dealing with revisions to SWB's intraLATA WATS tariff in response to an order by the FCC to remove restrictions on the closed ends of interstate WATS lines.

86-179-TF Southwestern Bell Telephone Company

Activity in this docket resulted in a complete restructuring of SWB's aid to construction and construction charges tariff. The previous construction policy had been a constant source of problems for both SWB and the Commission. It was not unusual to have a customer complain of having been required to pay several thousand dollars for telephone

service only to see the second occupant of the area escape paying any of the construction costs. The tariff that was finally approved, after incorporation of revisions suggested by the APSC Staff, was the result of a great deal of work and innovation on the part of SWB. The design was expected to greatly reduce, if not eliminate, customer dissatisfaction without greatly disturbing the Company's cost recovery. In fact, since approval of this tariff, customer complaints about construction costs, once the most common telecommunications subject of complaint received by this Commission's Consumer Services Section, have all but disappeared. Several customers have even sent letters praising the plan's adoption.

86-182-TF AT&T
AT&T's Software Defined Network offering was introduced.

86-186-TF Southwestern Bell Telephone Company
This docket dealt with changes in SWB's access charges, including changes in its intraLATA 800 service tariff, in response to a change ordered by FCC.

86-212-TF through 86-228-TF, 86-231-TF through 86-237-TF, 86-239-TF through 86-241-TF and 86-249-TF
These 28 filings by local telephone companies addressed the FCC's preemptive mandate to detariff customer premise inside wire (which the APSC is appealing).

ELECTRIC

There were approximately 20 tariff filings by electric utilities in 1986. Some of the more significant were:

85-293-TF Woodruff Electric Cooperative
New service offering that will provide a credit of $10.00 per KW plus 2.17 cents per kWh for irrigation customers who agree to permit the Cooperative to install a device that will control the operation of flood-type irrigation for a maximum of 3.6 hours per day during the irrigation season.

85-297-TF Clay County Electric Cooperative
Revision of Rate Schedule ADJ-3 and the Quarterly Cost of Debt Adjustment Form to more accurately reflect the true cost of debt of the Cooperative.

85-298-TF Farmers Electric Cooperative
Revision of Rate Schedule ADJ-3 and the Quarterly Cost of Debt Adjustment Form to more accurately reflect the true cost of debt of the Cooperative.

85-319-TF Ozarks Electric Cooperative
The Cooperative filed a new Rate Schedule GS-3, titled Small Commercial Load Development Rider. The qualifying requirements for this

schedule were so broad that most, if not all, of the GS-3 customers would be able to qualify for service under the rider. The rider was, therefore, considered a general rate reduction for the GS-3 class and only approved on an interim basis contingent on the Cooperative meeting specific requirements which included filing for a permanent rate reduction to the entire General Service Class accompanied by a cost of service study within 60 days. Ozarks filed a notice of withdrawal stating that the Directors of the Cooperative had determined that compliance with the conditions contained in the Commission's Order would not be in the best interest of the members of the Cooperative nor justified by the cost and, therefore, desired to withdraw the Small Commercial Load Development Rider.

86-025-TF Woodruff Electric Cooperative

The Cooperative filed tariffs to increase certain fees and charges and to impose a meter reseal fee. The increased charges would help defray the increased costs of providing certain services and would prevent additional subsidies from the other members of the Cooperative.

86-055-TF C & L Electric Cooperative

The Cooperative designed an irrigation rate that eliminates the horsepower charge applicable under the current rate, thus allowing a customer the option to choose a rate that is billed on kilowatt hour consumption only.

86-066-TF Petit Jean Electric Cooperative

The Cooperative proposed, as an incentive for installation of new and more efficient electric water heaters, to refund to the customer who installs an electric water heater with the capacity of 4KW or more the sum of $75.00 per installation. The Staff opposed implementation of this rebate on the basis that it was inappropriate to give a customer a rebate or incentive when the customer has made no contribution to the Cooperative's revenue. The tariff was withdrawn.

86-072-TF Arkansas Electric Cooperative Corporation

AECC filed an Economic Development Rate with the Commission that would stimulate the productive use of electricity on the AECC system without unduly stimulating peak demand growth, and thus provide a like stimulus to economic development in the State. The 17 member Cooperatives in the State filed similar tariffs in order to implement the Economic Development Rate in their service territory.

86-147-TF Arkansas Power and Light Company

AP&L filed Tax Adjustment Rider M38 in order to reflect the estimated annual reduction in income tax expense as a result of expected changes in income tax laws and regulations. As of the effective date of the rider, AP&L's rate schedules will be reduced by the amounts set forth in the rider for the period indicated therein.

86-156-TF Arkansas Power and Light Company

A revised Grand Gulf Rider M33 applicable to the period September 1, 1986, to August 31, 1987, was filed in accordance with the procedures set

forth in the currently effective Grand Gulf Rider and in accordance with the Stipulation and Settlement Agreement dated September 5, 1985, and Order No. 26 issued by the Commission in Docket No. 84-249-U. The rates reflected in the rider represent an increase in the M33 revenue requirement of $37,547,000 which incorporates the expected reduction in federal corporate income tax rates. The increase in the M33 rates are more than offset by the implementation of the proposed Tax Adjustment Rider M38 filed in Docket No. 86-147-TF, which will reduce the Company's base rates by an additional $58,089,000. The result of the simultaneous implementation of Riders M38 and M33 is a net reduction in rates of $20,542,000 for the Company's Arkansas retail customers. The Excess Capacity Deferral Recovery Rider, M39, was also approved in this Docket.

86-172-TF First Electric Cooperative Corporation

The Cooperative filed a new tariff, Schedule X-5, which stated the standard nominal voltage for a single-phase service.

86-175-TF Arkansas Power and Light Company

AP&L filed an Interruptible Condensing Power Agreement with Georgia Pacific. The Company proposed to serve Georgia Pacific on its Large Power Service Time-of-Use Rate Schedule (PST) and all applicable riders. Minimum on-peak billing will be 5,000 KW unless increased by Georgia Pacific's failure to interrupt during summer months any load in excess of 5,000 KW when requested. Failure to interrupt during any month will result in a 50% penalty for any demand above the 5,000 KW minimum demand.

86-183-TF Petit Jean Electric Cooperative

This Cooperative filed tariffs to expand the availability of Rate Schedules 1 and 2 to include customers who use 100kVA and under of transformer capacity. An analysis of the proposed tariffs revealed an unacceptable intraclass reallocation of revenues; therefore, the Cooperative withdrew the tariffs.

86-184-TF Arkansas Power and Light Company

AP&L filed an Interruptible Power Agreement by which it would serve SMI Steel on its Large Power Service Time-of-Use Rate Schedule (PST) and all applicable riders. Under the terms of the contract SMI would have all but 500 kilowatts of their load interruptible by AP&L. The interruptible aspect of the agreement is intended to reduce SMI's on-peak billing demand and results in their demand in excess of their firm amount being billed at the excess demand charge.

86-189-TF Oklahoma Gas and Electric Company

OG&E filed a tariff to implement a program by which certain large retail electric customers may trade natural gas for electricity. Under the program, the qualifying customer delivers its own natural gas to Enogex Inc.'s pipeline system for delivery to OG&E's generating stations to be converted to and exchanged for kilowatt hours. This program will reduce the cost of electricity to both participating and non-participating customers in the short run. In the long run this program may prevent the loss of customers and load and, therefore, the need to eventually recover any lost revenues from the remaining customers.

86-243-TF Arkansas Power and Light Company

AP&L filed a contract for electric service to Great Lakes Chemical Corporation to provide electric service at a rate competitive with the customer's cogeneration alternative. The customer will defer plans to install electric generating facilities and will provide AP&L an option to construct AP&L owned cogeneration facilities in the future. These cogeneration facilities will be located adjacent to the customer's operations in Arkansas and will supply part or all of the customer's thermal energy requirements.

86-246-TF Arkansas Valley Electric Cooperative

This Cooperative filed a contract, Rate Schedule 9, to service a new customer, Tyson Foods, Inc.

NATURAL GAS

There were approximately 12 gas utility tariff filings in 1986, the more significant being:

85-310-TF Associated Natural Gas

The Company filed Rate Schedule 15-A, Temporary Gas Refund Rider, which will allow the timely recovery of gas costs that pipeline transmission companies have been permitted to recover by Order No. 94 issued by FERC. The recovery will be accomplished by offsetting pipeline refunds against the Order No. 94 charges.

86-009-TF Arkansas Oklahoma Gas Company

The Company filed a new tariff to provide a reserved demand stand-by rate to customers who have alternate fuel capability which has been used within the past 12 months for other than testing purposes.

86-037-TF Arkansas Western Gas Company

The Company filed a revised Budget Billing Plan which allows customers to become eligible for this plan after receiving only six months of service from the utility rather than twelve months as had previously been the case. Applicants for Budget Billing having unpaid balances of less than $100 may be eligible for the plan.

86-040-TF Arkansas Oklahoma Gas Company

The tariff filed allows AOG to negotiate downward any approved rate for gas sold or transported in order to meet a bona fide competitive alternative rate provided that the negotiated rate is not below the weighted average cost of gas for the month in which the reduced rate is applied. The tariff additionally provides that in setting future rates for the Company, all volumes billed under this rate will be calculated by using the normal applicable rate for the customer receiving service under the negotiated rate.

86-047-TF Arkansas Western Gas Company

Rate Schedule B-3-A, an alternative rate schedule and applicable terms and conditions, was filed as a new service offering. This tariff will allow certain industrial/business customers large enough and willing to accept the price and supply volatility risks of the spot or short-term wellhead gas market and whose load factor is such that load lost by AWG would mean an eventually increased burden on remaining customers, to make monthly nominations of gas requirements during the contract period in order to receive the benefit of lower cost spot market gas.

86-048-TF Arkansas Louisiana Gas Company

This tariff provides for the recalculation of the allowable capital investment for residential, commercial, and small industrial customers who request extension of service to areas not previously served by ARKLA. This recalculation is necessary in order to implement the revised rates approved in 85-043-U.

86-051-TF Arkansas Western Gas Company

The revised Cost of Gas Adjustment tariff filed by AWG provides for the calculation of a monthly adjustment factor based on a twelve month moving average of AWG's cost of gas and will substantially eliminate the wide ranging monthly fluctuations which occurred under AWG's previous tariff.

86-109-TF Associated Natural Gas Company

The revised Industrial Interruptible Rider, Schedule 11A, sets forth a rate methodology designed to allow the Company to compete with the price of fuel oil or propane and, thereby, give ANG the flexibility to develop a competitive rate for industrial customers who possess long-term alternative dual fuel-burning capability which permits a customer to burn fuel oil or propane in addition to natural gas.

86-137-TF Arkansas Energy Resources

AER filed numerous revisions to their General Terms and Conditions for Service applicable to rate schedule numbers 4A through 4D which are minor in nature and have no effect on revenues, do not change rate design and do not result in changes in revenue allocations within a class or between classes of customers.

86-205-TF Arkansas Louisiana Gas Company

The tariffs filed revise the connection charges, reconnection charges, collection charges, and charges for insufficient checks.

WATER AND SEWER

Historically there are very few tariff filings by water and sewer utilities, and there were only two in 1986, neither of which were major or significant in nature.

Summary of FCC, FERC and FASB Matters in Which Staff Was Involved in 1986

TELECOMMUNICATIONS

FCC Dockets 78-72 and 80-826

The APSC intervened in these dockets, which address the interstate Universal Service Fund, non-traffic sensitive cost assignment and subscriber line charges.

FCC Docket 86-111

The APSC intervened in this docket, which addresses the appropriate methodology for allocating common and joint costs between regulated and unregulated services.

FCC Docket 86-297

The APSC intervened in this docket, which is concerned with the rewrite of jurisdictional separations manual for Class A and B telephone utilities in order to conform Part 67 to the new USOA, Part 32.

ELECTRIC

FERC Docket No. ER87-60-001

The APSC intervened in System Energy Resources, Inc.'s application for a revision to the depreciation rate to be applied to the Grand Gulf Nuclear Station Unit No. 1. The case is still in its early stages.

FERC Docket No. 84-31-000

The City of Brownsville, Texas has proposed that rates on the Central and Southwest System be averaged on a system-wide basis. This Commission has intervened and taken a position supporting the Administrative Law Judge's Order denying Brownsville's request.

FERC Docket Nos. 85-646-005 and 85-647-003

The APSC has intervened in opposition to any costs of abandoned plant being recovered from ratepayers. This case could set precedent should Grand Gulf II be abandoned by Middle South at some future date.

FERC Docket No. 86-58-0000

The APSC has intervened in support of the Louisiana PSC's complaint that the rate of return on equity embedded in the rates for power from Grand Gulf I is too high.

FERC Docket No. 86-59-000

The APSC has intervened in support of the Louisiana PSC's complaint that the rate of return embedded in the rate schedules of the Middle South Services Operating Agreement is too high.

FERC Docket No. 87-55-000

The APSC has intervened in the proposed sale of peaking power by Middle South Services to Oklahoma Gas and Electric Company. The APSC supports the proposed sale.

Summary of FCC, FERC and FASB Matters
in Which Staff Was Involved in 1986 (continued)

NATURAL GAS

FERC Docket No. RM86-3-000

The APSC intervened and filed comments opposing the FERC's rulemaking which would raise the ceiling price for "old" regulated gas. The Commission's position was based on the increased cost of gas to Arkansas ratepayers should the proposed change be adopted.

FERC Docket No. RP86-106-000

The Arkansas Public Service Commission intervened and actively participated in Arkla Energy Resources' tariff filing establishing rates, terms and conditions governing transportation of natural gas pursuant to the FERC's ruling regarding nondiscriminatory transportation.

FERC Docket No. RP86-170-000

The APSC intervened in the rate increase request filed with FERC by Mississippi River Transmission Company, an interstate pipeline which supplies gas to two Arkansas natural gas utilities. The case is still in process with plans to file testimony and to participate in the hearing.

FERC Docket Nos. CI86-376-000 and CI86-377-000

The APSC intervened in the FERC proceeding addressing the applications filed by Arkla Energy Resources, the pipeline division of Arkla, Inc., requesting blanket abandonment and sales certificates for its affiliate producer, Arkla Exploration Company, and marketer, Arkla Energy Management, respectively.

FERC Docket Nos. CI86-737-000 and CI86-738-000

The APSC intervened in the FERC proceeding regarding blanket abandonment and sales certificate authorization requests by Arkla Energy Resources for all of Arkla Energy Resources' producers/suppliers.

FERC Docket No. CI86-168

The APSC intervened in the FERC proceeding which is addressing, on a generic basis, pipelines' transactions with their market affiliates.

OTHER

Financial Accounting Standard No. 71

The APSC filed extensive comments with and participated in a public hearing at the Financial Accounting Standards Board (FASB) regarding a proposes change in accounting which, if adopted, would have a detrimental impact on Arkansas ratepayers. The proposed accounting change would have prohibited Arkansas Power & Light from capitalizing deferred costs, which were the result of postponing the recovery of certain costs until later years as agreed upon by the parties involved in AP&L's rate case Docket No. 84-249-U.

ARKANSAS PUBLIC SERVICE COMMISSION

FIFTY-SECOND ANNUAL REPORT

January 1, 1986 - December 31, 1986

Receipts

Utility Assessments	$ 5,775,971.00	
Pipeline Safety Assessments	205,910.00	
Annual Filing Fees	395.00	
Other Filing Fees	480.00	
Miscellaneous Fees	13,768.20	
Security Approval Fees	99,212.75	
Federal Reimbursement	69,675.77	
Non Revenue	159.35	
Refund to Expenditure - Current Year	$ 9,298.14	
Total Receipts		$6,174,870.21
Less 1.5% Treasury Fees	$ (91,436.05)	
Net Deposit		$6,083,434.16

Disbursements

Regular Salaries	$ 2,745,926.09
Extra Help	4,620.19
Group Insurance	70,848.75
Retirement	283,024.46
Federal Insurance Contribution	194,015.00
Workers' Compensation Contribution	2,546.54
Overtime Earnings	102.25
Postage	18,749.31
Telephone & Telegraph	13,561.12
Freight	891.49
Bank Charge	20.27
Printing by Department of Corrections	633.08
Printing by DFA Quick Copy	621.91
Advertising & Clipping Service	6,932.39
Film Processing	340.55
Furniture & Equipment Maintenance	25,358.40
Public Safety Equipment Maintenance	44.08
Vehicle Maintenance	5,114.24
Special Research Equipment Maint.	1,650.43
Repair of Data Processing Equipment	42,742.58
Rent of Office Space	318,076.75
Rent of Furniture & Equipment	27,820.71
Rent of Data Processing Equipment	182.99
Rent of Transportation Equipment	325.66

Rent of Transportation Equipment (Char 02)	824.09
Rent of Industrial & Marine	17.94
Meals & Lodging - Official Business	22,753.70
Meals & Lodging - Educational	1,132.09
Meals & Lodging - Official Business	38,256.53
Meals & Lodging - Educational	8,638.93
Meals & Lodging - Conference	7,560.49
Mileage - Official Business	715.90
Mileage - Education	296.94
Mileage - Official Business	230.16
Mileage - Education	336.00
Mileage - Conference	535.71
Common Carrier - Official Business	18,430.36
Common Carrier - Educational	5,892.60
Common Carrier - Conference	4,854.75
Intrastate - Reimbursable Meals & Lodging	1,408.91
Interstate - Reimbursable Meals & Lodging	14,233.33
Interstate Mileage	298.00
Intrastate - Official Business	50.83
Intrastate - Education & Training	618.40
Interstate - Official Business	499.38
Interstate - Educational	437.57
Interstate - Conference	138.30
Administrative Fees & Services	4,650.00
State Income Tax Withholding	350.00
DP Provided by State Agency (not DCS)	884.77
Other Administrative Fees	429.00
Legal Fees	239,986.97
Legal Fees Reimbursable Expenses	37,870.43
Legal Fees State Income Tax WH	9,984.11
Other Legal Fees	325.00
Courier Services	1,644.39
Security Services	183.14
Vehicle Insurance	4,670.00
Building & Contents Insurance	11,426.00
Data Processing Service Center Charges	18,254.48
Centrex Service Charges	79,769.49
Intrastate - Educational	4,888.50
Intrastate - Conferences	380.00
Interstate - Official Business	525.00
Interstate - Educational	14,928.00
Interstate - Conference Fees	5,705.00
Association Dues	21,616.87
Employee Tuition/Course Material	427.88
Contract Labor Services	4,099.32
Vehicle License	188.40
Tires and Tubes	346.99
Credit Card Purchases	9,387.13
Stationery & Office Supplies	43,514.42
Non-Expendable Office Supplies	698.47

Photographic Supplies	625.48	
Subscriptions & Publications	29,929.08	
Food Stuffs	147.27	
Kitchen/Janitorial Supplies	40.50	
DP Supplies	1,500.03	
Purchase of D.P. Software	1,682.03	
Sales & Use Tax	105.26	
Workers Comp Premium Tax	1,914.90	
Total Operating Expenses		$4,445,388.46
Capital Expenditures		
Office Machines	$ 2,031.38	
Office Furniture	2,933.30	
Specialized Research Equipment	1,481.62	
Data Processing Equipment	1,950.01	
Total Capital Expenditures		$ 8,396.31
Total Disbursements		$4,453,784.77
Deposits Over Disbursements		* $1,629,649.39

*Included in the Deposit over Disbursements are provisions for Section 2 of Act 352 of 1985, transfer of funds from Utilities Division to Tax Division (The transfer in 1986 was $172,648.00).